

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 640 - HB 1032

March 27, 2011

SUMMARY OF BILL: Extends the mandatory retirement provisions currently applicable to public safety officers to emergency medical services personnel, when the individual is a participant in the Tennessee Consolidated Retirement System (TCRS) and employed by a local government entity. Requires local government entities to pass a resolution for adoption of the mandatory retirement provisions. Requires any adopting local government entity to bear the costs associated with any additional pension liabilities.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Exceeds \$147,100/Permissive

Assumptions:

- The fiscal impact of this bill is dependent upon several unknown factors such as the statewide number of emergency medical services personnel employed by local government, the number of local government entities that will adopt this legislation by resolution, the number of years of service for each eligible member, and the average final compensation for each eligible member.
- Given the extent of unknown factors, determining a precise fiscal impact for this bill is difficult. However, it is reasonably estimated that the number of local government entities that will authorize this legislation by resolution will be sufficient to increase the total pension liability of TCRS by an amount exceeding \$1,500,000.
- Pursuant to Tenn. Code Ann. § 3-9-103(b), TCRS utilizes a 20-year horizon for estimating annual amortized payments of pension benefits.
- Pursuant to Tenn. Code Ann. § 8-34-505, TCRS utilizes a 7.5 percent interest rate for estimating annual amortized payments of pension benefits.
- Assuming a 20-year horizon, a 7.5 percent interest rate, and an increased lump sum pension liability exceeding \$1,500,000, annual retirement benefit payments from TCRS will increase by an amount exceeding \$147,100 per year.
- Given that any adopting local government is required to bear the costs associated with any additional pension liabilities, the permissive increase in local government expenditures is reasonably estimated to exceed \$147,100 per year.
- According to TCRS, this bill will have no impact on state pension expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc